

DISABILITY INSURANCE ELECTIVE COVERAGE (DIEC) RATE NOTICE AND INSTRUCTIONS FOR COMPUTING ANNUAL PREMIUMS

Rate	The DIEC rate is 2.10 percent of the first \$68,829 reportable for 2004.	
Important Reminders	<ul style="list-style-type: none"> The payment due by January 31 of each year is for the last quarter of the prior year and must be computed using the rate in effect for that year. A Quarterly Premium Notice (DE 3DI) must be filed every quarter - even when no premium is due. Your eligibility for disability insurance benefits may be affected if you fail to file a return each quarter. 	
What Your Premium Is Based Upon	Your 2004 DIEC premiums are based on the net profit reported on your 2002 Internal Revenue Service (IRS) Form 1040 Schedule SE. Life insurance salespersons who are not required to file a Schedule SE should use the net income from IRS Form 1040 Schedule C (line 31) in place of Schedule SE net profit to compute the annual premium.	
Your Premium Determined by Net Profit	If the net profit shown on line 3 of your 2002 IRS Schedule SE is:	
	\$4,600 or less (or you did not earn enough to require you to file a Schedule SE):	You will pay an <u>annual</u> premium of \$96.60 during 2004. Your premium will be paid in four equal quarterly installments.
	\$4,601 to \$68,829:	Multiply your net profit by 2.10 percent to determine your 2004 <u>annual</u> premium. Your premium will be paid in four equal quarterly installments.
	\$68,829 to \$275,316:	Your <u>annual</u> premium for 2004 will be \$1,445.41 . Because premiums are based on the first \$68,829 of reported net profits, your quarterly installments may be higher at the beginning of the year than at the end of the year.
	\$275,317 or more:	Your <u>entire 2004 premium</u> of \$1,445.41 will be due at the end of the first quarter and becomes delinquent after May 1, 2004.

What Your Benefits Are Based Upon

Benefits are based on the premiums paid during the four quarters of the base period of your claim, not on your actual earnings during those quarters. Benefits for 2004 are based on premiums paid during 2002 and 2003 which are based on income you earned in 2000 and 2001.

Disabled

You do not pay premiums for periods when you are disabled. You are, however, required to pay premiums on the first \$68,829 in reported net profits. Therefore, a decreased premium in one quarter may result in an increased premium later in the same calendar year. For additional information, please refer to your Quarterly Premium Notice, DE 3DI.

How to Cancel

Members who have been in the DIEC program for two complete calendar years and wish to voluntarily cancel their elective coverage agreement may do so by filing a written request. **The request must be postmarked during the month of January** and will be effective on January 1. Requests postmarked after January 31 must show good cause for failure to meet this cut off date or they will be rejected.

Please send correspondence to:

**Employment Development Department
DIEC Unit, MIC 5
P.O. Box 826880
Sacramento, CA 94280-0001**

Remember, your premium notice and payment for the quarter ended December 31 are still due by January 31, even if you request cancellation of your coverage.

Involuntary Termination

Section 704.1 of the California Unemployment Insurance Code (CUIC) allows the Department to terminate an elective coverage agreement if it is discovered that:

- (1) The individual is an employee and not self-employed.
- (2) The individual is no longer self-employed.
- (3) The individual's self-employment is seasonal.
- (4) The major portion of the individual's work-related income does not come from self-employment activities.
- (5) The individual's net profit from self-employment is less than \$4,600 for three consecutive years.
- (6) The individual fails to file returns or pay premiums within the time required by the Department.
- (7) The individual filed a false statement in order to be considered eligible for elective coverage.
- (8) The individual has been convicted of any violation for filing a false claim for benefits pursuant to Chapter 10 (commencing with Section 2101) of the CUIC.

Additional Information

Additional information regarding the DIEC program may be obtained by calling (916) 654-6288 or by writing to the address shown above. **Information may also be obtained by contacting our Employment Tax Customer Service Representative at 1-888-745-3886. For TTY (nonverbal) access, call 1-800-547-9565.**